

Message Text

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ACTION AF-08

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 0000

UNCLAS LAGOS 09955

E.O. 11652: N/A

TAGS: PFOR, ECON, EINV, EPAP, NI

SUBJECT: PLANNED FMG TAKEOVER OF FIVE VEGETABLES OIL MILLS

FOL. TEL. KADUNA 0750 DATED AUGUST 27, 1976

HERE REPEATED TO SECSTATE WASHDC FOR INFO

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FM AMCONSUL KADUNA

TO AMEMBASSY LAGOS 8505

UNCLAS KADUNA 0750

E.O. 11652: N/A

TAGS: ECON, EINV, EPAP, NI

SUBJECT: PLANNED FMG TAKEOVER OF FIVE VEGETABLE OIL MILLS

REF: LAGOS 09775

QUOTE

1. CHIEF MARKETING RESEARCH OFFICER OF NORTHERN STATES MARKETING

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BOARD IN KADUNA CONFIRMED FMG DECISION TO TAKE OVER ALL THIRTEEN

GROUNDNOT OIL MILLS (THESE MILLS CRUSH BOTH GROUNDNUTS AND COTTONSEEDS) IN NORTHERN NIGERIA. THIS TAKEOVER INCLUDES INDIGENOUS FIRMS AS WELL AS FOREIGN ENTERPRISES MENTIONED IN NEW NIGERIAN ON AUGUST 24 AND 27. NEGOTIATIONS WILL BEGIN IN KANO TOMORROW BETWEEN NEW NIGERIAN DEVELOPMENT COMPANY (NNDC), FMG, AND OIL MILL OFFICIALS TO DETERMINE COMPENSATION AND MANAGEMENT.

2. REASON FOR FMG TAKEOVER IS HEAVY FINANCIAL LOSSES BEING SUSTAINED BY THESE MILLS DUE PRIMARILY TO INADEQUATE SUPPLIES OF GROUNDNUTS. TOTAL CRUSHING CAPACITY OF OIL MILLS IS 1,000,000 TONS OF GROUNDNUTS ANNUALLY, BUT ONLY 42,000 TONS WERE AVAILABLE IN 1973/74 BUYING SEASON, 160,000 TONS IN 1974/75, AND 2,000 TONS IN 1975/76. OIL MILLS THUS REMAIN CLOSED MOST OF YEAR AND EVEN HOPED-FOR BUMPER CROP OF 600,000 TONS THIS SEASON WOULD NOT PERMIT FULL PLANT UTILIZATION.

3. NSMB OFFICIAL CLAIMS FOREIGN INTERESTS SHOULD WELCOME OPPORTUNITY TO DIVEST OF HEAVY LOSSES. NEGOTIATIONS BETWEEN THEM AND FMG WILL CONCENTRATE ON EXTENT OF QUIET TAKEOVER SIZE OF COMPENSATION, AND POSSIBLE RETENTION IN SOME CASES OF EXPATRIATE MANAGEMENT.

4. NSMB OFFICIAL SYS FMG NOW INVESTIGATING POSSIBILITY OF DIVERTING SOME OF THE EXISTING GROUNDNUT MILLS TO OTHER VEGETABLES LIKE SHEANUTS, BENINSEEDS, AND SOYABEANS. PERHAPS AS FEW AS SIX MILLS WOULD REMAIN TO CRUSH GROUNDNUTS ON YEAR-ROUND BASIS.

5. COMMENT.: CONSULATE WELL AWARE OF OVERCAPACITY EXISTING GROUNDNUTS MILLS AND NEED TO DIVERT SOME PRODUCTION CAPACITY TO OTHER USES. PRESENT PRODUCTION OF SHEANUTS, BENINSEEDS, AND SOYBEANS CANNOT FILL THIS GAP, HOWEVER, AND COMPLETE CLOSURE OF SEVERAL MILLS CAN BE EXEMPTED. REACTION OF FOREIGN INTERESTS TO FMG TAKEOVER CANNOT YET BE SQUARED FROM KADUNA AS ALL ARE LOCATED IN OTHER CITIES. MORE INFORMATION WILL BE CABLE AS OBTAINED.

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